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PUBLIC VERSION

January 4, 2002

FILED ELECTRONICALLY

Ms. Gloria Blue
Executive Secretary, Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Re: Certain Steel – Comments on TPSC Evaluation of Options for Action Under Section 203 With Respect to Tool Joints

Dear Ms. Blue:

On behalf of Chamberlain Manufacturing Corporation ("Chamberlain"), a U.S. manufacturer of tool joints, and pursuant to the Trade Policy Staff Committee's ("TPSC") notice requesting comments,[1] and the November 29, 2001 and December 28, 2001 notices amending its filing requirements and deadlines,[2] enclosed please find the public version of Chamberlain's written comments on the actions the President should take under section 203 of the Trade Act with respect to tool joints, a product included

[1] *Trade Policy Staff Committee; Public Comments on Potential Action Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel*, 66 Fed. Reg. 54321 (October 26, 2001). One of the steel products covered by the Trade Policy Staff Committee's *Federal Register* notice is carbon and alloy flanges, fittings, and tool joints (steel product 6).

[2] *Trade Policy Staff Committee: Extension of Deadline for the Submission of Responses to Requests for the Exclusion of Specific Products From Any Action Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel and Modifications to the Earlier Instructions for the Submission of Written Comments*, 66 Fed. Reg. 59599 (November 29, 2001) and *Trade Policy Staff Committee: Extension of Deadline for the Submission of Written Comments on What Action, If Any, the President Should Take Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel and Responses to Such Comments,* 66 Fed Reg. 67349 (December 28, 2001).

within the U.S. International Trade Commission's affirmative determination of serious injury to the domestic industry producing carbon steel flanges, fittings, and tool joints.

Please feel free to contact the undersigned should you have any questions.

Respectfully submitted,

/s/ Cheryl Ellsworth

Cheryl Ellsworth
Jeffrey S. Levin

Counsel for Chamberlain
Manufacturing Corporation

BEFORE THE
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
TRADE POLICY STAFF COMMITTEE

PUBLIC VERSION
Business Confidential Information
Deleted from Pages 4-7 and 13, and
Exhibit 1

COMMENTS ON TPSC EVALUATION OF OPTIONS FOR ACTION UNDER SECTION 203 WITH RESPECT TO TOOL JOINTS

FILED ON BEHALF OF
CHAMBERLAIN MANUFACTURING CORPORATION

STEEL PRODUCT 6:
CARBON AND ALLOY STEEL
FLANGES, FITTINGS, AND TOOL JOINTS

January 4, 2002

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I. INTRODUCTORY STATEMENT

This statement is submitted on behalf of Chamberlain Manufacturing Corporation ("Chamberlain") pursuant to notice published at 66 Fed. Reg. 54321 (October 26, 2001).[1] Chamberlain is a U.S. producer of tool joints, located in Scranton, Pennsylvania.[2]

On October 22, 2001, the U.S. International Trade Commission (ITC) unanimously determined that increasing imports were a substantial cause of serious injury to an industry producing fittings, flanges and tool joints. On December 7, 2001, the ITC issued its remedy recommendations. Two of the Commissioners (Commissioners Bragg and Devaney) recommended that a tariff of 30 percent be imposed on imports of tool joints,[3] subject to a staged reduction of two percentage points per year in the second and third years of the relief period, and a staged reduction of five percentage points in the fourth year of the relief period. Three of the Commissioners (Chairman Koplan and Commissioners Miller and Hillman) recommended that a tariff of 13 percent be imposed on imports of the product, subject to a staged reduction of three percentage points per year in the second and third years of the relief period. The sixth Commissioner (Vice Chairman Okun) recommended that imports of tool joints be excluded from any relief imposed by the President.

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1 The instructions for submission of written comments were modified by notice published at 66 Fed. Reg. 59599 (November 29, 2001).

2 Tool joints are highly specialized products made to exacting specifications, which are friction-welded to seamless pipe to produce drill pipe for oil and gas drilling.

3 Tool joints are classified under item 8431.43.8020 of the Harmonized Tariff Schedule of the United States (HTSUS). The NTR tariff rate for imports in this classification is zero.

Prior to January 1, 2001, imports of tool joints were classified in item 8431.43.8010, HTSUS which was a basket category providing for "parts for boring or sinking machinery of subheading 8430.or 8430.49 … other … of oil and gas field machinery.

For the reasons set forth in this statement, Chamberlain strongly supports the imposition of a strong and effective remedy for the U.S. industry that produces tool joints, and strongly opposes an exclusion for imports of the product. Specifically, Chamberlain urges that a tariff of at least 30 percent, if not higher, be imposed on imports of tool joints in order to allow the U.S. industry an ample and fair opportunity to adjust to import competition. As detailed in this statement, Chamberlain has committed substantial capital resources to enhance its development and production of tool joints over the past several years, and is prepared to take additional steps to boost its competitiveness if an adequate opportunity is presented.

This is Chamberlain's second submission to the Trade Policy Staff Committee (TPSC) in this proceeding. On December 5, 2001, Chamberlain submitted a detailed statement in opposition to a request made by Grant Prideco, Inc. that tool joints be excluded from any remedy imposed by the President as a result of the ITC investigation and the instant proceeding.[4] The facts and arguments presented in that first submission remain equally applicable here, and are reiterated where appropriate.

At this point in the proceeding, there should be no confusion about certain basic and determinative facts: U.S. companies produce tool joints;[5] the existing U.S. manufacturing capacity for the product is substantial; and the ITC has unanimously

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[4] The December 5 submission is hereinafter referenced as "Chamberlain Response to Exclusion Request." The public version of the December 5 submission by Chamberlain is posted on the website of the Office of the U.S. Trade Representative at Responses to Request for Exclusion: ER-037-Chamberlain.pdf.

The Grant Prideco request for exclusion was submitted on November 13, 2001 ("Tool Joints Exclusion Request"). The public version of that submission is posted on the website of the Office of the U.S. Trade Representative at Requests for exclusion of specific products: X-064-GrantPrideco.pdf.

[5] Chamberlain is aware of at least one other U.S. manufacturer of tool joints: Primex (General Dynamics).

determined that the U.S. industry that includes these companies is suffering serious injury due to increasing imports. Chamberlain has been manufacturing tool joints for the commercial market since 1997, and has had the capacity to produce the product for decades prior to then. U.S. producers of tool joints, including Chamberlain, have a demonstrable capability to provide the full complement of requirements for U.S. end-users of the product. These facts, which are documented in this statement, belie the bald and baseless assertion made by certain parties in this proceeding and in the ITC investigation that "there is virtually no domestic supply of tool joints." Indeed, the U.S. industry, and specifically Chamberlain, could – *with production equipment already on line* – supply the entire U.S. market, and do so with a product that has received the certification of every major industry association.

However, without a strong and effective period of relief from relentless competition by cheaply-priced imports, the U.S. industry will inevitably wane and turn its attention to alternative products. Such a result would be highly detrimental to our national security, our ability to foster the development of energy resources, and the steel industry itself.

II. A STRONG AND EFFECTIVE PERIOD OF IMPORT RELIEF IS NECESSARY TO MAINTAIN A VIABLE AND COMPETITIVE U.S. TOOL JOINTS INDUSTRY

A. Chamberlain Has Produced Substantial Volumes Of Tool Joints and Has Substantial Unused Production Capacity With Which To Supply The Requirements of the U.S. Market

Chamberlain has been in existence since 1916. In the decades following, the company emerged as one of the largest suppliers of large-caliber, forged steel projectile bodies (*i.e.*, ammunition shells) to the U.S. armed forces, and was an integral supplier of ammunition to the defense industry in both World Wars. Since 1963, Chamberlain has been the operating contractor of the Scranton Army Ammunition Plant in Scranton, PA. Over that period, Chamberlain has produced over 21 million projectile bodies for the U.S. Government. The company has a highly-skilled work force, which embodies the specialized skills necessary for the forging, machining, heat treatment, testing and painting of metal parts. The company is a full-service producer: every step of the production process, whether for ammunition shells or tool joints, takes place within the wholly-integrated facility in Scranton, encompassing more than 500,000 square feet. The company presently employs [ ]

In the late 1990's, Chamberlain decided to pursue the commercial market for tool joints in order to maximize its production capacity and maintain competitive per-unit operating costs. Since 1996, Chamberlain has made capital investments of nearly [ ] to improve its manufacturing capabilities for tool joints.[6] Chamberlain's manufacturing capability now allows production of heat-treated blanks in which drill pipe producers can finish machine the tool joint and weld it to the pipe. Alternatively, Chamberlain can manufacture completely finished tool joints that are ready to weld to pipe, without any additional processing by the drill pipe manufacturer.

A letter from Representative Don Sherwood (R-PA) to ITC Chairman Koplan which details Chamberlain's history, production capability with respect to tool joints, and support for the company's position in these proceedings, is attached as Exhibit 2.

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[6] These capital investments are detailed at Exhibit 1.

Chamberlain has been manufacturing tool joints for the commercial market since 1997. Commercial shipments of tool joint by Chamberlain since that time have totaled nearly [ ] Domestic manufacture of tool joints is highly cyclical since the product is used solely on drill pipe for the oil and gas drilling industries.[7] However, Chamberlain is fully committed to manufacturing tool joints on demand, and clearly has the production capacity *already on line* not only to manufacture substantially greater volumes than it presently does, but to serve the entire U.S. demand for the product.

For example, Chamberlain has [ ] at its production facility in Scranton. [ ] for defense products; the remaining [ ] for the production of tool joints. However, tool joints are presently manufactured on [ ] open for additional production of tool joints.[8]

Indeed, Chamberlain's production capacity on the [ ] for the production of tool joints is enormous. The capacity for a single press line is as follows:

[ ]

[7] The cyclical nature of domestic manufacture of tool joints is apparent from Chamberlain's annual shipments data for the product since 1997, the year in which it entered this market:

1997	:	[ ]
1998	:	[ ]
1999	:	[ ]
2000	:	[ ]
2001 (full year projection)	:	[ ]

[8] The [ ] for defense products are readily convertible to the manufacture of tool joints should commercial conditions require. This conversion can be done [ ] at the Scranton facility.

If only [ ] per year! To put this actual production capacity in proper perspective, consider that, according to Chamberlain's best estimate, U.S. drill pipe manufacturers will require approximately [ ] in 2001. Since Chamberlain is capable of producing [ ] it is apparent that the company is well capable of filling the entire domestic demand for the product.

Chamberlain is prepared to invest additional capital expenditures towards its production of tool joints if a remedy is imposed along the lines of that suggested in this statement. These additional expenditures, which Chamberlain estimates would be in the range of [ ] would be geared towards bolstering the company's production capability, including the [ ] The enhanced capital funding would go towards [ ] Under these circumstances, Chamberlain would be prepared to hire additional workers in order to accommodate the increased production.

Chamberlain is widely recognized as a well-established manufacturer of tool joints, serving numerous customers in the United States. Indeed, [

][9] Other customers include U.S. manufacturers of drill pipe such as [ ].[10]

Moreover, Chamberlain is certified by the American Petroleum Institute (API) for the manufacture of products meeting Specification 7, which is the controlling industry standard for the manufacture of tool joints. Likewise, it is recorded in the API composite list as a certified manufacturer of tool joints.[11] Chamberlain is a member of the Forging Industry Association and has also received BSI certification as an ISO 9002 manufacturer.

In addition, Chamberlain is a member of the International Association of Drilling Contractors (IADC), and the company is noted in the IADC Membership Directory as a manufacturer of tool joints.[12] This point raises a particular curiosity. In its exclusion request, Grant Prideco included a letter to the ITC from Brian T. Petty, Senior Vice President - Government Affairs of IADC, which states as follows:

> I am now writing you to express the unanimous view of the contract drilling industry that tool joints for oil and gas operations should be excluded from any remedy determination.[13]

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9 *See* Chamberlain Response to Exclusion Request at Exhibit 4, which contains [

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10 *See* Chamberlain Response to Exclusion Request at Exhibit 5 (a letter dated November 8, 2001, from Douglas V. Goodridge, Vice President and General Manager of OMSCO, to ITC Chairman Koplan, which states that OMSCO sources all of its raw material requirements for its manufacture of drill pipe from U.S. manufacturers, including Chamberlain).

11 *See* Chamberlain Response to Exclusion Request at Exhibit 1.

12 *See* Chamberlain Response to Exclusion Request at Exhibit 6.

13 Tool Joints Exclusion Request at Attachment 2.

Obviously, this is an erroneous statement since Chamberlain is a member of IADC and strongly supports the *inclusion* of tool joints in any remedy determination. IADC is in no position - one way or another - to express a "unanimous" view on this issue since it did not conduct a polling of its entire membership. The Contractor members of IADC may support exclusion of tool joints from any remedy provided, but the Producer and Associate membership may not or do not support this position. Indeed, since the letter is dated November 5, several days before Chamberlain's first submission on this matter, it is possible that Mr. Petty and IADC were simply unaware of domestic tool joint manufacturing capacity. That is certainly the message conveyed by Mr. Petty in his written response to Chamberlain after Chamberlain expressed its pronounced disagreement with the IADC letter.[14]

B. The Imposition of A Duty Of At Least 35-40 Percent On Imports of Tool Joints Is the Best Means Available To Facilitate the Efforts of Domestic Manufacturers of Tool Joints To Make A Positive Adjustment To Import Competition

As noted above, demand for tool joints is cyclical and dependent on the level of activity in the oil and gas drilling industries. There will be years when, for whatever reason, development of oil and gas resources is low, and domestic demand for tool joints will decline. For this reason, it is particularly important that domestic manufacturers of tool joints such as Chamberlain are positioned to take advantage of stronger demand periods and realize an acceptable return on sales of tool joints that will justify maintenance of operable production lines through low-demand periods.

The only practical limitation on Chamberlain's ability to serve domestic demand for tool joints is the level of imports of the competing product. Without some type of

[14] *See* Attachment 3.

limitation on the level of imports, Chamberlain will not long be able to maintain a competitive position in the domestic tool joints market. This is particularly true since the requirements of Grant-Prideco are predominantly served by its overseas suppliers, allowing that company to effectively control the prices for the product in the U.S. market.

Imports of tool joints, classified under item 8431.43.8020, HTSUS, now enter the U.S. duty free. Chamberlain respectfully submits that the imposition of a duty on imports of tool joints is the best means available to facilitate the efforts of domestic manufacturers of tool joints to make a positive adjustment to import competition. The imposition of a duty on imported articles is expressly authorized as a form of relief under 19 U.S.C. §2253(a)(3)(A).

The imposition of an import duty on this article is appropriate for several reasons. First, as noted above, imports of tool joints are not presently subject to a duty. Chamberlain submits that, as a matter of public policy, it is inappropriate for imports of articles which have been found to be a substantial cause of serious injury to the U.S. industry to be permitted to enter this country duty free.

Second, the ITC documented margins of underselling for imports included in the product grouping encompassing fittings, flanges and tool joints that range up to of 36.5 percent.[15] These margins evidence significant price disparities between domestically-manufactured and imported tool joints. Based on its knowledge of, and experience in, the

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15 *Steel:* Staff Report to the Commission On Investigation No. TA-201-73 at TUBULAR-86. Although the particular product for which pricing data were collected by the ITC for Product Grouping 22 was not a tool joint product, Chamberlain submits that for purposes of this investigation and the ITC's analyses, the pricing data for that product serve as the effective proxy for all articles encompassed by that product grouping.

Chamberlain notes that the high end of the margins of underselling are established on the basis of imports from Mexico. As noted previously, Mexico is the home of one of Grant Prideco's two subsidiaries which supply tool joints for the U.S. market, and was the largest foreign supplier of tool joints to the U.S. during the first half of 2001.

U.S. tool joint market, Chamberlain believes that the margins of underselling documented by the ITC are representative of the margins which exist with particular regard to tool joints.

Third, other proposed forms of relief would not have the same positive effect for domestic manufacturers of tool joints as would the imposition of a duty. Specifically, because the demand for tool joints is highly cyclical, it would be extremely difficult to affix a specific quantitative restriction that would apply equally well to high and low demand years.

Chamberlain respectfully submits that the imposition of a duty on imports of tool joints of at least 30 percent *ad valorem* is consistent with documented margins of underselling and would facilitate efforts by U.S. manufacturers to make a positive adjustment to import competition.

In addition, Chamberlain respectfully submits that any remedy imposed for this U.S. industry should encompass imports from Mexico (and Canada). The ITC's affirmative "injury" determination for the product grouping that included tool joints encompassed imports from Mexico. Three of the five Commissioners that recommended the imposition of an additional tariff on imports of tool joints also recommended that the tariff apply to imports from Mexico. Most importantly, imports from Mexico, along with imports from Italy, account for almost all U.S. imports of tool joints. Apparently, both the Mexican and Italian sources are foreign subsidiaries of Grant Prideco.[16] Since

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[16] "Grant Prideco imports tool joints from its subsidiaries in Italy and Mexico for its own use as the largest U.S. manufacturer of drill pipe." *Id*. During the first six months of 2001, the only period during the period of investigation for which imports of tool joints can be isolated, imports from Italy and Mexico accounted for 98.7 percent of total imports of the product on a volume basis. Chamberlain presumes that all or nearly all imports of tool joints from Italy and Mexico are accounted for by Grant Prideco. Grant Prideco has itself told the Commission that the company "is not aware of any tool joints that are imported

Mexican imports account for such a substantial portion of total imports, and since production can presumably be shifted with ease from Grant Prideco's Italian subsidiary to its Mexican subsidiary, a remedy that excludes Mexico would create such a gaping loophole and invitation for circumvention as to render it functionally ineffective.

C. There Are No Persuasive Bases for Excluding Tool Joints From Import Relief

On November 13, 2001, Grant Prideco submitted a request that tool joints be excluded from any import relief that may be provided as a result of these proceedings. There should be no confusion as to Grant Prideco's motivation: it is the largest U.S. importer of tool joints and the imposition of a remedy with regard to tool joints could increase that company's costs for its U.S. drill pipe operations.

In essence, Grant Prideco, the largest U.S. importer of tool joints, is requesting an exclusion from import relief for the product despite substantial domestic production of the article, so that it can maintain unfettered access to supply from its overseas subsidiaries. As a matter of sound national policy, the President should not accede to an exclusion request made under these conditions. Moreover, as detailed below, the bases for the Grant Prideco request are simply not true, or at best unpersuasive.

First, Grant Prideco states that no U.S. producer has requested a remedy for tool joints.[17] This is not true. On November 15, 2001, Chamberlain submitted to the ITC a

into the United States except for those manufactured by its foreign subsidiaries." Post-Hearing Brief On Injury On Behalf Of Grant Prideco, Inc. (October 9, 2001) at Attachment A at 4.

[17] Tool Joints Exclusion Request at 5.

detailed statement in support of import relief regarding tool joints.[18] On December 5, 2001, Chamberlain submitted to the TPSC a detailed statement in opposition to the Grant Prideco exclusion request.

Second, Grant Prideco states that "{n}o U.S. producer requesting relief produces tool joints for drill pipes, and imports of these articles are not injuring U.S. producers of fittings, flanges and tool joints."[19] Again, this is simply not true. Chamberlain is a U.S. producer of tool joints and is requesting relief from imports. Just as obviously, the ITC unanimously determined that imports of the products encompassed by Product Grouping 22, including tool joints, *are* injuring U.S. producers of fittings, flanges and tool joints. To claim otherwise, as does Grant Prideco, is to simply turn a blind eye to the ITC's explicit and unambiguous determination.[20]

Third, Grant Prideco claims that "any restrictions on imports of tool joints for drill pipe would adversely affect the national economic and security interests of the United States."[21] This claim is rooted in the assertion that "there is virtually no domestic supply

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[18] In The Matter Of *STEEL*, Investigation No. TA-201-73 (Remedy Phase): Statement In Support of Remedy With Respect To Tool Joints (Product Grouping 22) On Behalf Of Chamberlain Manufacturing Corporation (November 15, 2001).

Even if the Grant Prideco statement was technically true at the time it was first made, it was not true as of two days later, and is not true now.

[19] Tool Joints Exclusion Request at 5.

[20] Curiously, Grant Prideco claims that imports of tool joints were not a factor in the ITC's injury determination because imports of tool joints are recorded in units, while imports of fittings and flanges are recorded in weight. *Id*. at 6. This proposition is false as a matter of law. If the ITC determined that the absence of volume data on a weight basis for imports of tool joints precluded an affirmative "injury" determination covering those imports, the ITC could have simply broken tool joints out of Product Grouping 22 and provided a separate determination for those imports. The fact that the ITC did not take that route establishes that its "injury" determination applies to the product grouping as a whole, including imports of tool joints.

[21] Tool Joints Exclusion Request at 6.

of tool joints."[22] However, both the claim and its underlying premise are incorrect. As reviewed in detail above, there is a substantial manufacturing capacity for tool joints in the United States. Indeed, Chamberlain alone is capable of filling the entire domestic demand for the product. As OMSCO, a major U.S. drill pipe manufacturer and a [ ] states in its letter to the Commission, *U.S. manufacturers* of tool joints are essential for ensuring a steady and reliable supply to domestic drill pipe manufacturers.[23] [ ] has turned to U.S. tool joint manufacturers to fill its requirements.[24]

Grant Prideco does correctly relate the statutory requirement that any form of recommended relief "not exceed the amount necessary to prevent or remedy the serious injury."[25] The recommended form of relief suggested by Chamberlain is measured and appropriate, and certainly constitutes an amount necessary to remedy the serious injury suffered by the domestic industry. Indeed, even if domestic manufacturers were not capable of filling the entire domestic demand for tool joints, imposing a tariff on the product would not prevent a single tool joint from entering the United States; all it would do is to rectify the price disparity between the imported and domestically-manufactured product.

Even through the veneer of a national security claim, Grant Prideco's motive is clear: because the company sources all of its requirements for tool joints from its

22 *Id.*

23 *See* Chamberlain Response to Exclusion Request at Exhibit 5.

24 *See* Chamberlain Response to Exclusion Request at Exhibit 4.

25 19 U.S.C. §2253(e)(2).

overseas subsidiaries,[26] imposing a remedy on tool joint imports could increase costs for its U.S. drill pipe manufacturing operations. Therefore, Grant Prideco is naturally opposed to any form of relief. However, the very purpose of a remedy resulting from a "section 201" proceeding is to allow domestic companies that have suffered serious injury to adjust to import competition. Many factors go into these determinations. Grant Prideco's ability to maintain a low cost basis, owing to its reliance on imported tool joints, should not be one of them.

This is not a situation where there is no domestic supply of the product. Nor is this a situation where there is short supply of the product, as amply demonstrated by the domestic production capacity already in place and the additional capacity that can be readily brought on-line. Quite simply, Grant Prideco's exclusion request is prompted by its desire to protect its *own* supply. That should not be the basis on which an exclusion request is granted.

Chamberlain notes, but respectfully disagrees, with the reasons provided by Vice Chairman Okun for acceding to Grant Prideco's exclusion request. First, Vice Chairman Okun characterized the U.S. market as "highly dependent on imported tool joints."[27] While Chamberlain does not dispute this finding, it notes the U.S. market is highly dependent on imports because the vast majority of imports are accounted for by Grant Prideco, the largest U.S. manufacturer of drill pipe, from its own overseas subsidiaries. In other words, the U.S. market is "highly dependent on imported tool joints" because

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[26] *See* Tool Joints Exclusion Request at 3 ("Specifically, Grant Prideco manufactures and sources the tool joints used in its drill pipe operations at its plant in Mexico (Grant Prideco de Mexico) and Italy (CMA Canavera SpA)."

[27] *Steel*, Inv. No. TA-201-73, USITC Pub. 3479, Vol. I (December 2001) at 517.

Grant Prideco is in a position to exercise effective control over the market, and does so by sourcing its tool joint requirements from its overseas subsidiaries rather than from domestic manufacturers. Indeed, there can be little doubt that if it could, Grant Prideco would steer the U.S. market to become *wholly* dependent on imported tool joints; however, this is a troublesome basis on which to provide an exclusion when substantial production capability exists in the United States.[28] In any case, as noted above, the relief recommended by Chamberlain would not prevent a single imported tool joint from entering the United States.

Second, Vice Chairman Okun dismisses Chamberlain as a "munitions manufacturer with the flexibility to produce tool joints."[29] This is a profound mischaracterization of Chamberlain's commercial operations: as described in considerable detail in this, and prior submissions made by Chamberlain in these proceedings, the company has been manufacturing tool joints for the commercial market for several years and can, with production equipment already on line, supply the entire U.S. market. The U.S. tool joints industry cannot be excluded from relief on the notion that its principal manufacturer is also a veteran supplier of defense articles that require related press lines. And although Chamberlain's sales of tool joints may fluctuate in any given year depending on a number of factors (including the highly cyclical demand for tool joints and the degree of control that Grant Prideco is able to wield over the market), the company stands ready to provide tool joints on demand, and to an extent necessary to supply the entire U.S. market, if commercial conditions allow.

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[28] Indeed, the Vice Chairman's finding blurs the point at which imports become so pervasive in the U.S. market as to provide a basis for exclusion rather than a basis for import relief.

[29] *Id*.

D. A Viable and Competitive Domestic Tool Joints Industry Is Important For the Development of This Nation's Energy Resources and For the U.S. Steel Industry

Chamberlain and Grant Prideco share agreement on one point: tool joints are essential for the manufacture of drill pipe, and drill pipe is essential for the development of oil and gas resources. Therefore, U.S. drill pipe producers must be assured of a ready and reliable supply of tool joints. However, whereas Grant Prideco believes that this end is best served by maintaining an unfettered path to import supply (principally from its own overseas subsidiaries), Chamberlain believes that a ready and reliable supply of tool joint can only be guaranteed by the presence on these shores of a viable and competitive tool joint industry. Since the ITC unanimously determined that U.S. manufacturers of steel products encompassed by the ITC's Product Grouping 22 are suffering serious injury due to increasing imports, the path proffered by Grant Prideco appears flawed and disingenuous.

Without some measure of relief from cheaply-priced imports, U.S. manufacturers of tool joints, including Chamberlain, could well succumb to the pressures of import competition. In that case, U.S. drill pipe manufacturers, and by extension, the oil and gas drilling industries in this country, would be rendered wholly or primarily dependent on foreign suppliers. This is surely not a position which this country should design for itself as we seek to increase our self-sufficiency regarding energy resources.

Moreover, it is important to emphasize that the overwhelming majority of tool joint imports come from Grant Prideco's own subsidiaries in Italy and Mexico. These subsidiaries also fill the tool joint requirements of at least one of the other two major producers and finishers of drill pipe in the United States.[30] Obviously, this provides Grant Prideco with some competitive control over the drill pipe manufacturing operations of this other major U.S. producer (*e.g.*, by controlling the price that this second producer must pay for its tool joint requirements). This control surely would be exacerbated if there were no alternative suppliers of tool joints, and particularly suppliers in the United States. Not only could this endanger the existence of the other drill pipe manufacturer, but, by extension, it could undermine this nation's capacity for oil and gas drilling. Again, this is surely not a beneficial position for the development of this nation's energy resources.

It is also important to note that Chamberlain sources all of its steel needs for the manufacture of tool joints from U.S. steel producers. A relief period provided to U.S. producers of tool joints would also provide a pronounced benefit for those U.S. steel companies which provide Chamberlain with its raw materials. These benefits do not accrue with respect to tool joints manufactured abroad. The President's determination as to import relief should aim towards increasing, rather than eliminating, the customer base for U.S. steel producers.

III. CONCLUSION

Based on the information and argument presented in this statement and in Chamberlain's prior submissions to the Trade Policy Staff Committee and the ITC, we respectfully request that the President implement the form of remedy proposed herein with respect to imports of tool joints. The proposed remedy would impose restrictions on

[30] *See* Prehearing Brief to ITC On Remedies On Behalf Of Grant Prideco, Inc. (October 29, 2001) at 4.

imports that are necessary to facilitate the domestic industry's positive adjustment to import competition.

Respectfully submitted,

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